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# CANADA PENSION PLAN

January 1998

## about Changes to Canada Pension

The future of Canada's retirement system is a key priority for the Government of Canada and Canadians. When the Canada Pension Plan was introduced in 1966, the face of Canada's population was entirely different than it is today. A quickly growing seniors' population, a generation soon to retire, and a rapidly shifting economy has meant that changes to the CPP were essential to ensure an affordable, sustainable, retirement system for everyone.

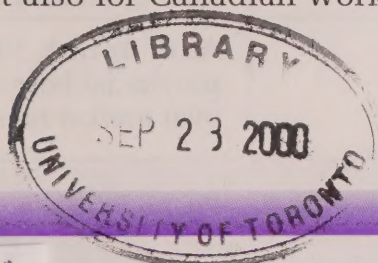
To ensure that the Canada Pension Plan will be there for Canadians in the future, the Government of Canada has put forward a strong and balanced package of measures to strengthen the Plan's financing, improve investment practices, and control growth in costs. This will ensure the CPP is there for Canadians today and for the future – not just for workers when they retire, but also for Canadian workers

and their families should they become disabled or die. These changes will maintain the Canada Pension Plan Fund, keep future contribution rates down, and strengthen Canada's retirement income system.

The chart on the next page shows the Canada Pension Plan before and after the changes. It is important to remember that these changes **do not affect**:

- CPP retirement pensions, disability benefits, survivor benefits or combined benefits that were being paid on December 31, 1997;
- the future retirement pensions of anyone over 65 on December 31, 1997.

All CPP benefits, except for the death benefit, remain fully indexed to inflation. Retirement ages – early, normal, or late – remain unchanged.











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January 1998

## *Facts about Changes to the Canada Pension Plan*

Securing the future of Canada's retirement income system is a key priority for the Government of Canada and Canadians alike. When the Canada Pension Plan was introduced in 1966, the face of Canada's population was entirely different than it is today. A quickly growing seniors' population, a generation soon to retire, and a rapidly shifting economy has meant that changes to the CPP were essential to maintaining an affordable, sustainable, and fair system for everyone.

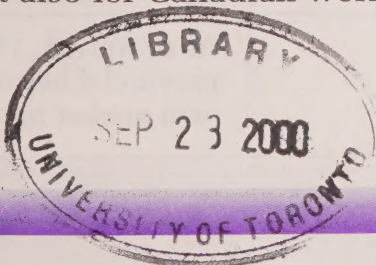
To guarantee that the Canada Pension Plan will be there for Canadians in the future, the Government of Canada has put in place a strong and balanced package of changes to strengthen the Plan's financing, improve the investment practices, and moderate growth in costs. This will ensure that the CPP is there for Canadians today and tomorrow – not just for workers when they retire, but also for Canadian workers

and their families should they become disabled or die. These changes will maintain the Canada Pension Plan Fund, keep future contribution rates down, and strengthen Canada's retirement income system.

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	<b>CPP BEFORE JANUARY 1, 1998</b>	<b>CPP AFTER JANUARY 1, 1998</b>
<b>Age of retirement (early)</b>	Starting at age 60	No change
<b>Age of retirement (normal)</b>	Age 65	No change
<b>Age of retirement (late)</b>	Up to age 70	No change
<b>Contribution Rates</b>	<ul style="list-style-type: none"> <li>• Rising to 10.1 per cent by 2016</li> <li>• Projected to increase to 14.2 per cent in 2030</li> </ul>	<ul style="list-style-type: none"> <li>• Rising to 9.9 per cent by 2003, then held steady</li> <li>• Will not rise above 9.9 per cent</li> </ul>
<b>Year's Basic Exemption (YBE)</b>	\$3,500 indexed to wages	Frozen at \$3,500
<b>Year's Maximum Pensionable Earnings (YMPE)</b>	Indexed to wages	No change
<b>Retirement Pensions and Earnings-Related Portion of Disability/Survivor Benefits</b>	Adjusted previous earnings based on average of last 3 years of YMPE	Adjust previous earnings based on average of last 5 years of YMPE
<b>Eligibility for Disability Benefits</b>	Must have contributed in 2 of last 3, or 5 of last 10 years	Must have earned at least 10 per cent of the YMPE in each of 4 of the last 6 years.
<b>Retirement Pensions for Disability Beneficiaries</b>	Based on YMPE when recipient turns 65, then indexed to prices (Consumer Price Index)	Based on YMPE at time of disablement, then indexed to prices (Consumer Price Index)
<b>Combined Survivor/Disability Benefits</b>	Ceiling equal to maximum retirement pension plus larger of two flat-rate components	Ceiling is one maximum disability pension
<b>Combined Survivor/Retirement Benefits</b>	Ceiling equal to maximum retirement pension	No change to ceiling; limited adding up of benefits
<b>All Benefits</b>	Fully indexed	No change
<b>Death Benefit</b>	Equal to 6 months retirement benefits up to \$3,580, maximum grows with wages	Equal to 6 months retirement benefits up to \$2,500, maximum frozen
<b>Investment Policy</b>	Invested in non-negotiable provincial bonds	As of April 1, 1998, new funds invested in a diversified portfolio of securities
<b>Provincial Borrowing</b>	Provinces borrowed at federal rates	As of April 1, 1998, limited provincial borrowings at their own market rates

#### **For more information**

If you need more information about the Canada Pension Plan, please call free of charge: **1 800 277-9914** English; **1 800 277-9915** French.

 If you have a hearing or speech impairment and you use a TDD/TTY device please call **1 800 255-4786**.

For faster telephone service call Tuesday to Friday during the middle weeks of the month. Please have your social insurance number (SIN) ready.

Internet at: <http://www.hrdc-drhc.gc.ca/isp>







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